

Credit Union
Deposit Insurance Corporation
of
British Columbia

ANNUAL REPORT
1990



Province of British Columbia
Ministry of Finance and Corporate Relations

LEGISLATIVE LIBRARY
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CHAIRMAN'S MESSAGE

The proclamations of the *Financial Institutions Act* (FIA) and the *Credit Union Incorporation Act* (CUIA) on September 15, 1990 marked a key milestone for the Credit Union Deposit Insurance Corporation (CUDIC) and the credit unions in British Columbia. For credit unions, it represents the formal transition to a credit union system where boards of directors and management assume a greater responsibility for the conduct and stability of the system and their individual credit unions. As a system, it is expected to increasingly draw on the strengths inherent in a cooperative system and this is already evident in the support behind Stabilization Central Credit Union (SCCU).

For CUDIC, now managed by the newly formed Financial Institutions Commission (FICOM), it means passing the baton to the system to carry out certain management and stabilization activities. FICOM, acting as both the regulator of financial institutions operating in British Columbia and the insurer of deposits held by credit unions, is unique in Canada. The melding of the two functions has served to eliminate duplication, increase cost effectiveness and improve access to critical information.

The performance in 1990 by credit unions and by FICOM resulted in CUDIC's accumulated earnings reaching a record high. As well, operating costs were reduced to below 1985 levels.

Stabilization Central Credit Union

FICOM has worked closely with SCCU since its start up in 1990. Certain credit unions under supervision have been delegated to SCCU but more importantly, it is proving effective in working with credit unions where assistance at an early stage prevents the need for formal supervision. A task force comprised of representatives from B.C. Central Credit Union (BCCCU), SCCU and FICOM was struck to determine future deposit insurance funding. One of the recommendations from the task force was that a separate fund be established to be administered by SCCU, and we will be working together to enable this during 1991.

Business Lending

The FIA requires credit unions to develop and assume full responsibility for their own lending policies and procedures by no later than July, 1992. Significant work has been accomplished by BCCCU in developing model policies along with discussion papers to assist credit unions in determining appropriate strategies and identifying needed resources. Three credit unions are now operating according to the terms of their policy with all prior CUDIC requirements removed. For the credit unions that wish to offer business lending services but cannot justify the resources necessary to establish an internal independent "credit department", the challenge will be to arrange appropriate outside support. Credit unions are urged to work in a cooperative spirit to provide this critical support and infra-structure. Business Lending is a complex form of lending and if this service is to be made available in other than the very large credit unions, it must be treated as a core business by the system.

Capital Adequacy and Financial Results

The credit union system in B.C. enjoyed another successful year. Capital exceeded \$382 million by year end, a sharp increase from \$257 million as at December 31, 1989. Capital Adequacy, which is now measured on an asset risk weighted basis,

was 7.31 per cent at year end compared to a requirement of 6 per cent. The objective is to achieve 8 per cent by 1994 and this appears to be well within reach.

Other financial indicators confirm a strong position:

- Total assets of credit unions increased 11 per cent to \$10.4 billion as at December 31, 1990;
- Net income for 1990 of \$63 million (0.63 per cent of assets) compared to \$57 million in 1989 (0.65 per cent of assets);
- Average loan delinquency of 0.52 per cent at December 31, 1990 compares very favourably to industry averages in Canada.

Credit unions recognize the need for a strong capital base to support future growth, to invest in computerized systems, to expand their delivery network, and above all, to insure stability during economic downturns. Several credit unions have voluntary equity share programs scheduled for the current year to further build capital.

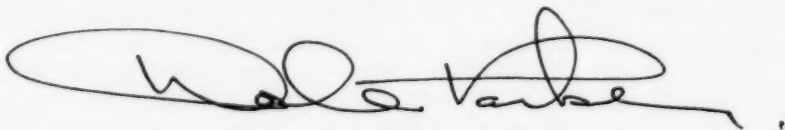
Credit unions under supervision decreased from 16 to 12 during 1990. Three credit unions were placed under supervision during 1990. However, none of these is considered as a serious threat to the system.

The past year's results were gratifying both from a financial standpoint and in adapting to new legislation. The credit union system in British Columbia has always been self-reliant in the past, never needing to call upon government assistance. Nevertheless, there is no room for complacency, especially in light of the present fragile provincial economy and a rapidly changing financial industry. Consequently, the strengthening of capital and the higher standards included in the FIA further assure long term stability.

Coincident with the new Acts coming into force, CUDIC's former Board of Directors' responsibilities concluded and a new Board was formed drawing from FICOM's Board of Commissioners. I wish to take this opportunity to recognize those past CUDIC directors: Mrs. Sally C. Pipes, Vice Chairman; Messrs. John A. Charlesworth; Barry W. Forbes; Dennis J. Mitchell, Q.C.; and William G. Wellburn. Their outstanding service to CUDIC is greatly appreciated.

I also wish to thank FICOM's staff, whose dedication and cooperation permitted the successful transition to be realized.

CUDIC's new Board of Directors and FICOM's personnel are committed to working with the men and women of the credit union system to ensure continuing success.

A handwritten signature in black ink, appearing to read 'Dale G. Parker', with a large, stylized loop at the end.

Dale G. Parker

CORPORATE MISSION STATEMENT

To insure credit union deposits and non-equity shares in the province of British Columbia, within limits prescribed by the FIA.

CUDIC was created by provincial statute in 1958 at the request of credit unions in British Columbia.

By proclamation of the FIA, FICOM was established to exercise the duties previously undertaken by CUDIC and the Superintendent of Financial Institutions. Consequently, FICOM develops and manages system procedures and controls, and services necessary to support CUDIC's mission in a cost effective manner.

CUDIC guarantees members' deposits and their investment in non-equity shares up to a maximum of \$100,000 per "separate deposit" in each credit union.

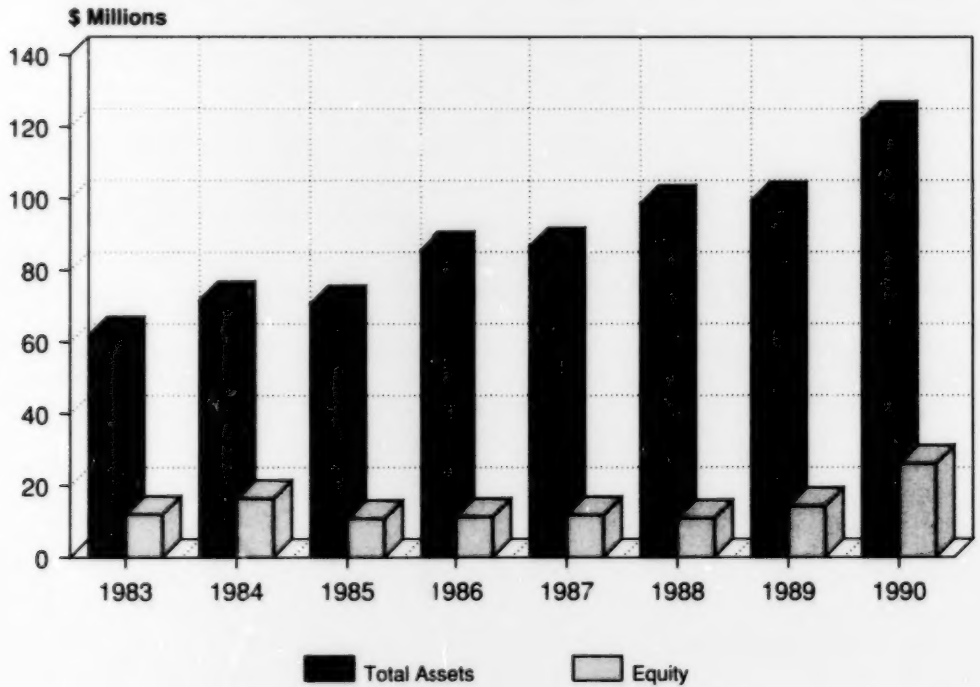
As a major adjustment to CUDIC's mission in 1990, it should be noted that under the FIA, SCCU has been formed with all credit unions in British Columbia becoming members of this stabilization authority. SCCU's role is to, in partnership with BCCCU and FICOM, effectively monitor credit unions in order to facilitate early action to correct problems. It also supervises credit unions that have been delegated to this organization by FICOM. In this way the credit union system is accepting a higher responsibility for self governance.

REVIEW OF OPERATIONS

Deposit Insurance Fund

Year End Review (Audited)		
DEPOSIT INSURANCE FUND	1990	1989
	\$	\$
Assets	122,086,460	99,493,819
Accumulated Earnings	26,135,997	14,349,074
Revenue	18,773,143	20,021,317
Net Income	11,786,923	3,440,449
Net Debenture Issues	11,392,640	7,831,638
Financial Assistance Charged to Earnings (Recovered)	(193,773)	9,438,957

CUDIC maintains and administers the deposit insurance fund on behalf of all credit union members in British Columbia. The fund provides financial resources to pay future claims and to provide financial assistance to credit unions experiencing difficulties. In the unlikely event that the deposit insurance fund cannot meet its obligations, the provincial government will guarantee any borrowings necessary to finance payment of claims against the fund.



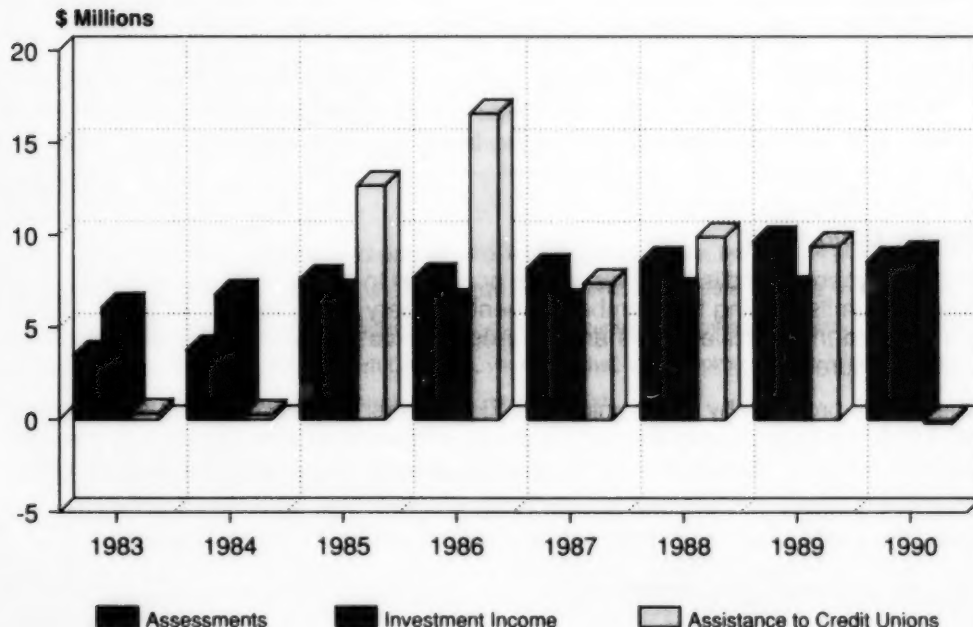
CUDIC's Total Assets and Equity

The fund consists of the sum of the Corporation's accumulated earnings and debenture issues. This was \$111.8 million at the end of 1990, up from \$88.6 million in 1989. In 1990, the fund earned investment income of \$9.0 million, up \$2.0 million from earnings in the previous year.

The recovery of financial assistance provided for in prior years resulted in CUDIC reporting a net recovery of financial assistance of \$0.2 million for 1990. This compares favourably to the \$9.4 million expense reported in 1989.

CUDIC levies annual assessments or fees on B.C. credit unions. Although the assessment rate may fluctuate annually, it cannot exceed the statutory limit of 0.333 percent of a credit union's non-equity shares and deposits. Assessment rates are set by its Board of Directors and collected each July, based on the previous year-end's deposits and non-equity shares of each credit union.

Assessments totalled \$8.5 million in 1990, based on the assessment rate of 0.10 percent of deposits and non-equity shares. SCCU collected an additional assessment equivalent to 0.03 percent totalling \$2.5 million. The combined total of \$11.0 million is compared to \$9.7 million collected in 1989, up due to the increase of member deposits.



CUDIC's Assessments, Investment Income and Assistance to Credit Unions

CUDIC may raise additional funding from credit unions by requiring them to purchase issues of the Corporation's debentures. The Corporation pays interest annually on the debentures at a rate set by the Board of Directors.

In 1990, net debentures issued totalled \$11.4 million, compared to \$7.8 million in 1989. The rate of interest set on the debentures in 1990 was 5.5 percent.

Supervision

The FIA permits FICOM to order a credit union experiencing difficulties to be placed under supervision. At year end, 12 credit unions were under FICOM supervision. This compares to 16 credit unions under supervision as at December 31, 1989. Total assets of supervised credit unions at December 31, 1990 approximated the 1989 year end total of \$1.0 billion.

During 1990, Evergreen Savings Credit Union, Powell River and Sharons Credit Unions were placed under supervision while South Vancouver and District Credit Union, Lakes District Credit Union, Terrace & District Credit Union, Kimberley Credit Union, Ladysmith & District Credit Union, Squamish Credit Union and Thompson Valley Credit Union were released from supervision. Responsibility for supervision was delegated to SCCU for Castlegar Savings Credit Union, Evergreen Savings Credit Union, Houston and District Credit Union and Powell River Credit Union.

Legion Credit Union which was liquidated in 1989 has an estimated deficiency of approximately \$10 million. A claim filed against the credit union's bond insurer is outstanding.

CUDIC has changed its fiscal year end to March 31, commencing in 1991. This will result in an initial three month fiscal year ending on March 31, 1991, and the next fiscal year starting April 1, 1991 and ending on March 31, 1992. The next annual report of CUDIC will cover a 15 month period because of the fiscal year-end change.

Master Bond Fund

The master bond fund is a self-insurance pool used to cover credit union losses, up to specified limits, arising from embezzlement, robbery, theft, forgery or fraud. Claims that exceed the specified limits are covered by excess coverage negotiated with an outside insurer.

The fund is provided by credit unions through annual assessments. As at December 31, 1990, the accumulated earnings of the fund totalled \$1.4 million. During the year, the fund received assessments of \$1.6 million and investment income of \$0.4 million.

Effective January 1, 1991, the master bond program was transferred to SCCU. This gives the credit union system direct administrative control over this program.



Auditors' Report

To the Board of Directors of Credit Union Deposit Insurance Corporation of British Columbia:

We have audited the balance sheets of the Deposit Insurance Fund and the Master Bond Fund of Credit Union Deposit Insurance Corporation of British Columbia as at December 31, 1990 and the statements of earnings and accumulated earnings and changes in cash resources for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Institutions Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The comparative figures were reported on by other auditors.

Vancouver, B.C.
February 15, 1991

CHARTERED ACCOUNTANTS

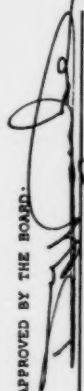
CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA
BALANCE SHEETS

	December 31	
	1990	1989
<u>ASSETS</u>		
<u>DEPOSIT INSURANCE FUND</u>		
CASH	\$ 153,223	\$ 448,655
ACCOUNTS RECEIVABLE	4,546,570	6,149,348
INVESTMENTS		
Term deposits	5,020,105	2,430,105
Securities, at amortized cost	97,176,730	75,621,147
(market value \$102,073,123: 1989, \$75,838,247)		
Accrued interest	1,745,892	1,545,951
	<u>103,942,727</u>	<u>79,597,203</u>
<u>FINANCIAL ASSISTANCE (note 2)</u>		
Equity Shares and Subordinated Loans and		
Debentures to Credit Unions	13,221,671	12,892,208
Mortgage loans	219,475	332,646
Real estate held for disposal	2,794	73,759
	<u>13,443,940</u>	<u>13,298,613</u>
	<u>\$122,086,460</u>	<u>\$ 99,493,819</u>

MASTER BOND FUND

ACCOUNTS RECEIVABLE	\$ 144,134	\$ -
DUE FROM DEPOSIT INSURANCE FUND (note 3)	3,349,325	3,583,630
	<u>\$ 3,493,459</u>	<u>\$ 3,583,630</u>

APPROVED BY THE BOARD.

 Director
 Director

<u>LIABILITIES AND ACCUMULATED EARNINGS</u>		
<u>DEPOSIT INSURANCE FUND</u>		
ACCOUNTS PAYABLE AND ACCRUALS	\$ 454,024	\$ 526,641
DUE TO MASTER BOND FUND (note 3)	3,349,325	3,583,630
PROVISION FOR FINANCIAL ASSISTANCE (note 2)	6,469,000	6,749,000
DEBENTURES ISSUED TO CREDIT UNIONS (note 4)	85,678,114	74,285,474
ACCUMULATED EARNINGS	26,135,997	14,349,074

MASTER BOND FUND

ACCOUNTS PAYABLE	\$ 4,000	\$ -
PROVISIONS FOR INCURRED AND UNREPORTED MASTER BOND CLAIMS	2,105,800	1,566,100
ACCUMULATED EARNINGS	<u>1,383,659</u>	<u>2,017,530</u>
	<u>\$ 3,493,459</u>	<u>\$ 3,583,630</u>

CONTINGENCIES AND COMMITMENTS (notes 5 and 7)

See accompanying notes to financial statements.

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA
DEPOSIT INSURANCE FUND
STATEMENT OF EARNINGS AND ACCUMULATED EARNINGS

	Year Ended December 31	
	1990	1989
Revenue		
Investments	\$ 8,928,058	\$ 6,966,212
Assessments	8,570,040	9,657,674
Interest on assigned loans	51,298	69,892
Recoveries of financial assistance	1,165,213	3,260,392
Other	<u>58,534</u>	<u>67,147</u>
	\$18,773,143	\$20,021,317
Expenditures		
Debenture interest	4,348,867	3,831,261
Financial assistance (note 2)	(193,773)	9,438,957
Administration (schedule)	2,631,435	3,237,070
Lease Commitment	199,691	-
Loss on Sale of Fixed Assets	<u>-</u>	<u>73,580</u>
	\$ 6,986,220	16,580,868
NET EARNINGS (note 6)	11,786,923	3,440,449
Accumulated earnings at beginning of year	<u>14,349,074</u>	<u>10,908,625</u>
ACCUMULATED EARNINGS AT END OF YEAR	<u>\$26,135,997</u>	<u>\$14,349,074</u>

See accompanying notes to financial statements.

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CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

MASTER BOND FUND

STATEMENT OF EARNINGS AND ACCUMULATED EARNINGS

	Year Ended December 31	
	1990	1989
Revenue		
Investments (note 3)	\$ 395,829	\$ 457,000
Assessments	<u>1,580,116</u>	<u>769,323</u>
	1,975,945	1,226,323
Expenditures		
Master bond premiums	1,028,762	638,500
Master bond claims expense (recovery)		
Incurred	1,321,134	67,698
Unreported	(100,000)	(500,000)
Administration (schedule)	<u>359,920</u>	<u>256,305</u>
	<u>2,609,816</u>	<u>462,503</u>
NET EARNINGS (LOSS) (note 6)	(633,871)	763,820
Accumulated earnings at beginning of year	<u>2,017,530</u>	<u>1,253,710</u>
ACCUMULATED EARNINGS AT END OF YEAR	<u>\$ 1,383,659</u>	<u>\$2,017,530</u>

See accompanying notes to financial statements.

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CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

STATEMENTS OF CHANGES IN CASH RESOURCES

CASH PROVIDED BY (USED FOR):

	Year Ended December 31	
	1990	1989
<u>DEPOSIT INSURANCE FUND</u>		
OPERATIONS		
Net earnings	\$ 11,786,923	\$ 3,440,449
Items not involving cash		
Provision for financial assistance	(280,000)	(7,050,812)
Depreciation and amortization	-	62,513
Loss on sale of fixed assets	-	73,580
Changes in non-cash balances relating to operations		
Accounts receivable and accounts payable	1,530,161	(9,581,165)
Equity shares and subordinated loans and debentures to credit unions	(329,463)	(9,624,721)
Mortgage loans and real estate held for disposal	<u>184,136</u>	<u>168,638</u>
	<u>12,891,757</u>	<u>(22,511,518)</u>
FINANCING ACTIVITIES		
Issuance of debentures	11,430,194	7,871,920
Redemption of debentures	<u>(37,554)</u>	<u>(40,282)</u>
	<u>11,392,640</u>	<u>7,831,638</u>
INVESTMENT ACTIVITIES		
Proceeds from sale of fixed assets	-	167,914
Additions to fixed assets	-	(56,219)
Non-interest bearing term deposits	<u>-</u>	<u>9,000,000</u>
	<u>-</u>	<u>9,111,695</u>
Increase (decrease) in cash resources	24,284,397	(5,568,185)
Cash resources at beginning of year	<u>76,462,228</u>	<u>82,038,413</u>
CASH RESOURCES AT END OF YEAR	<u>\$100,746,625</u>	<u>\$76,462,228</u>

MASTER BOND FUND

OPERATIONS		
Net earnings (loss)	\$ (633,871)	\$ 763,820
Provision for (reduction in) master bond claims, not involving cash	<u>539,700</u>	<u>\$ (582,323)</u>
	(94,171)	181,497
Changes in non-cash balances relating to operations		
Account receivable and accounts payable	<u>(140,134)</u>	<u>-</u>
Increase (decrease) in cash resources	(234,305)	181,497
Cash resources at beginning of year	<u>3,583,630</u>	<u>3,402,133</u>
CASH RESOURCES AT END OF YEAR	<u>\$ 3,349,325</u>	<u>\$ 3,583,630</u>

(Cash resources is defined as cash, investments including accrued interest, and inter-fund accounts.)

See accompanying notes to financial statements.

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CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

SCHEDULES OF ADMINISTRATION EXPENSES

	Year Ended December 31	
	1990	1989
<u>DEPOSIT INSURANCE FUND</u>		
Audit	\$ 9,025	\$ 12,450
B.C. Central Credit Union		
Line of Credit, Standby Charge	31,250	31,250
Depreciation and amortization	-	62,513
Directors' fees	12,850	67,581
Insurance	3,450	12,295
Legal	10,315	65,124
Office operations	175,844	161,563
Office rent	254,801	336,710
Professional services, other	210,805	201,563
Publications and communications	4,130	36,486
Salaries and employee benefits	1,825,388	2,070,048
Travel costs	93,579	179,487
	<u>\$2,631,435</u>	<u>\$3,237,070</u>
<u>MASTER BOND FUND</u>		
Audit, Accounting	\$ 10,132	\$ 3,050
Insurance	3,312	552
Legal	223	19,930
Office operations	66,315	20,004
Office rent	65,530	41,029
Professional services, other	44,256	5,290
Salaries and employee benefits	161,940	159,510
Travel costs	8,212	6,940
	<u>\$ 359,920</u>	<u>\$ 256,305</u>

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CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1990

OPERATIONS

On September 15, 1990, the Financial Institutions Act (FIA) and the Credit Union Incorporation Act (CUIA) were proclaimed. Under the provisions of FIA, the Credit Union Deposit Insurance Corporation (CUDIC) and the Office of the Superintendent of Financial Institutions were merged to create the Financial Institutions Commission (FICOM). CUDIC continues to operate as an independent entity from within FICOM.

The mandate of CUDIC is to guarantee deposits and non-equity shares of members of British Columbia credit unions up to the limits prescribed by FIA. To meet this objective, CUDIC provides financial assistance to or on behalf of credit unions which have come under its supervision. CUDIC also undertakes administrative and regulatory functions as set out in the Act.

The amount, timing and form of assistance which may be required for credit unions under supervision is dependent on future events and outcomes. Three outcomes requiring assistance are rehabilitation, merger or liquidation of credit unions. In the event of a liquidation, CUDIC's liability to depositors is limited to the prescribed limits of the Act. CUDIC is empowered to assess credit unions and to issue debentures to them to raise additional funds if such funds are required for assistance. Provision for financial assistance in amounts determined to be likely as well as a general provision are provided in these financial statements.

Since 1986, as permitted by FIA and its predecessor Act, CUDIC has been levying additional assessments to B.C. credit unions in order to establish a fund to pay for Master Bond claims up to an annual maximum of \$2,000,000. The Master Bond Program was underwritten at two levels in 1990. CUMIS General Insurance and Cooperators General Insurance Co. insure the first \$5,000,000 of a claim. At the second level, the Wellington Fidelity and Guarantee Insurance, and Laurentian General Insurance, pay 95% of claims over the initial \$5,000,000 up to \$20,000,000. Incurred and unreported claims, as well as administrative expenses incurred by CUDIC, are charged against the fund.

Effective January 1, 1991, the Master Bond Program was transferred to Stabilization Central Credit Union of B.C. in order to give the credit union system direct administrative control over this program. Assets were distributed by transferring an amount equivalent to claim provisions to Stabilization Central and rebating the accumulated earnings of the Fund to credit unions. Both amounts were estimated based on the pro forma financial statements of the Master Bond Fund as at December 31, 1990. Simultaneously, Stabilization Central re-assessed and collected the same amount from credit unions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments

Investments in marketable securities included in the investment portfolio are intended to be held to maturity. Premiums and discounts arising at the time of purchase are amortized over the period to maturity.

(b) Financial Assistance to Credit Unions

CUDIC's policy for providing for losses on purchases of equity shares of credit unions and on conditional loans, subordinated loans and subordinated debentures to credit unions is based on CUDIC's estimate of the probability of recovery of such investments and loans. Where deemed prudent, a general provision may also be provided. All other financial assistance is recognized as an expense in the financial statements upon the earlier of disbursement of assistance or when such assistance has been determined to be likely and the amount can be reasonably estimated.

Mortgage loans and real estate held for disposal are carried at net realizable value. Value is attributed to third party loans received as a consequence of assistance given only where such loans are fully secured by a mortgage on real property. No value is attributed to unsecured loans or loans secured by other than real property. At December 31, 1990, the outstanding amount of loans which have no carrying value but on which payments are being received is \$40,621 (1989, \$51,306).

(c) Provision for Incurred and Unreported Master Bond Claims

The provision for losses incurred represents an estimate for all costs of investigation and settlement of claims incurred and reported prior to the balance sheet date. Any estimate of future loss activity is necessarily subject to substantial uncertainty. The provision includes case based estimates and estimates for incurred but not reported claims. These provisions are adjusted up or down as additional information on the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded in the current year.

(d) Related Party Transactions

As a result of the merger, the employees of CUDIC have become the employees of the B.C. Government working for FICOM. Almost all administrative expenses of CUDIC, including employees' salaries and benefits are paid through the government. The cost allocation to CUDIC is estimated based on the activities performed by FICOM staff on tasks pertinent to the mandate of CUDIC.

Other than the direct salaries, other expenses including overhead are allocated to CUDIC according to departmental averages and CUDIC's estimated share of activities in the department and/or organizational function.

2. FINANCIAL ASSISTANCE

(a) Assistance to Credit Unions

Details of assistance to credit unions, after specific provisions, are as follows:

	December 31	
	<u>1990</u>	<u>1989</u>
Subordinated debentures	\$ 3,071,671	\$ 2,742,208
Subordinated loans	150,000	150,000
Equity shares	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$13,221,671</u>	<u>\$12,892,208</u>

None of the above assets are currently interest bearing and will not be required to be repaid within the next fiscal year.

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At December 31, 1990, 8 credit unions (1989, 16) were under supervision by CUDIC and responsibility for supervising another 4 credit unions was delegated by CUDIC to Stabilization Central.

(b) Financial Assistance Charged to Earnings

	Year Ended December 31	
	1990	1989
Provision for financial assistance, beginning of year	\$6,749,000	\$13,799,812
Less payments	31,978	12,778,248
Increase (decrease) in provision charged to earnings	(248,022)	5,727,436
Provision for financial assistance, end of year	6,469,000	6,749,000
Increase (decrease) in provision charged to earnings	(248,022)	5,727,436
Other assistance	54,249	3,711,521
Net financial assistance charged (recovered) to earnings	(\$193,773)	\$9,438,957

3. INTER-FUND ACCOUNTS

The Master Bond Fund is invested as part of the total CUDIC portfolio and an investment income is paid to the Master Bond Fund based upon the average rate of return on the investment portfolio.

4. DEBENTURES ISSUED TO CREDIT UNIONS

Debentures are issued to credit unions in accordance with provisions of FIA. The debentures are issued for a term of 25 years, are subject to earlier redemption, and may be re-issued before or at maturity at the option of CUDIC.

CUDIC may fix interest on the debentures from time to time not exceeding 18% per annum. Interest is accrued and paid based on rates set on August 1 of each year. Interest rates applicable to the years ended July 31, 1991 and 1990, and April 30, 1989 have been 5-1/2%.

During the year debentures in the aggregate amount of \$11,430,194 were issued for cash, and CUDIC redeemed debentures of \$37,554 from those credit unions whose investment therein exceeded 1% of their members' non-equity shares and deposits or were liquidated as provided under FIA.

5. CONTINGENT LIABILITIES

CUDIC has guaranteed certain loans of various credit unions. As at December 31, 1990, these loans amount to approximately \$100,000 (1989, \$530,000).

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Touche**



6. INCOME TAXES

CUDIC is taxed as a deposit insurance corporation and is subject to income tax on its income for tax purposes, which is defined generally to exclude assessments and other revenue from credit unions, and to exclude financial assistance to or on behalf of credit unions.

Non-capital tax losses as at December 31, 1990 are approximately \$4,782,000 which will expire as follows:

1992	462,000
1993	1,588,000
1994	1,546,000
1996	1,186,000

7. LEASE COMMITMENT

Commencing November 1, 1983, CUDIC entered into a ten year lease of office premises, with a five year renewal option. Minimum lease payments for the initial ten year period are \$250,416 per annum. In addition, CUDIC is liable to pay property taxes and operating costs. Minimum lease payments for the five year renewal period, should the option be exercised, will be based on fair market rental as of November 1, 1993 but in any case will not be less than the rent payable during the initial ten year term.

Effective January 1, 1990, CUDIC's lease was assigned by way of a lease assignment contract. CUDIC remains on the covenant for the remainder of the lease term which may extend to November 1, 1998. CUDIC's covenant is indemnified by the parent of the assignee.

8. LIQUIDITY

CUDIC maintains a line of credit in the amount of \$50,000,000 to meet short-term deposit insurance requirements. Any drawings against this line of credit would be secured by CUDIC's investments.

BOARD OF DIRECTORS

Dale G. Parker, *Chairman*

Mr. Parker was appointed Chairman and C.E.O. of CUDIC on June 6, 1989 and organized the merger between CUDIC and the Office of the Superintendent of Financial Institutions to form FICOM.

Douglas H. Horswill, P.Eng., M.A., *Deputy Minister*

Mr. Horswill was appointed Deputy Minister of Finance and Corporate Relations on June 15, 1990. Prior to present position he was Deputy Minister, Energy and Mines.

Ian H. Bell, F.C.A.

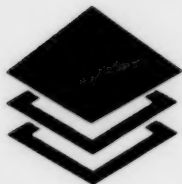
Mr. Bell was appointed as Commissioner of FICOM for a two year term effective December 3, 1990. Following a successful career as managing partner of the Canadian firm Touche Ross & Company, he has undertaken a number of assignments including Senior Advisor to West Coast Credit Union.

Ronald F. Davies

Mr. Davies was appointed to a three year term effective December 3, 1990. He retired from the position of Chief Executive Officer for North Shore Credit Union in 1988 and earlier served as Director and Vice-Chairman to the B.C. Central Credit Union and the Cooperative Trust Company of Canada.



Province of British Columbia
Ministry of Finance and Corporate Relations
FINANCIAL INSTITUTIONS COMMISSION



Credit Union Deposit Insurance
Corporation of British Columbia

19th Floor
1050 W. Pender Street
Vancouver, B.C.
V6E 3S7
Telephone (604) 660-2947
Facsimile (604) 660-3170

A new brochure, detailing credit union deposit insurance coverage is
now available from CUDIC or credit unions in British Columbia.